



Canadian Agriculture and Agri-Food
Exporter's Guide to Opportunities
in the Middle East:

**UNITED ARAB
EMIRATES**

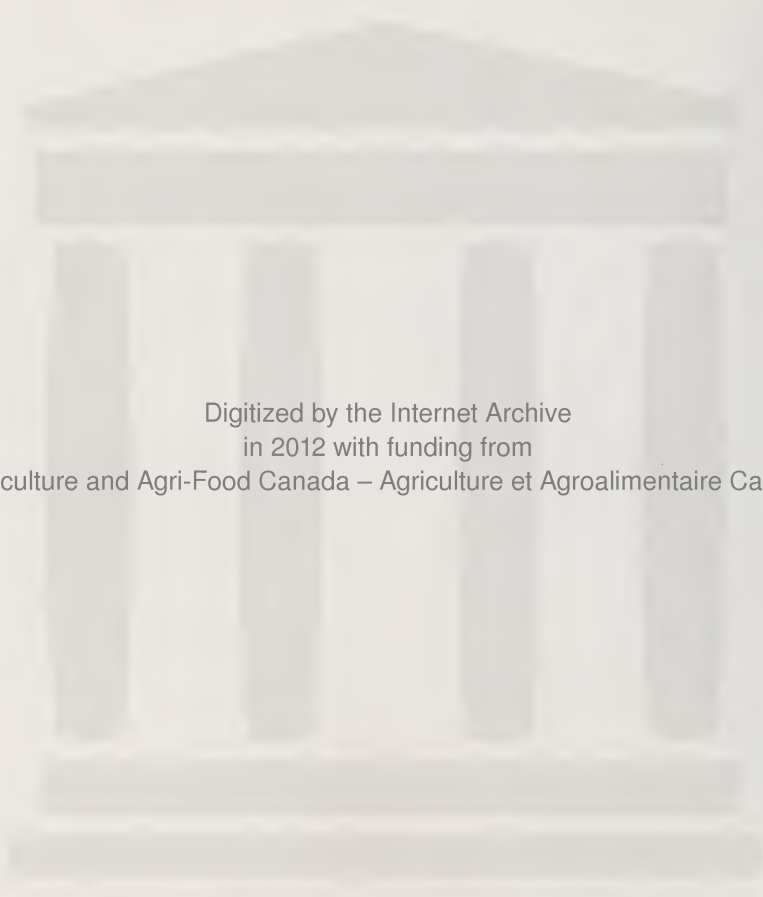


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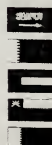


Canadian Business Development International
Presents:

Canadian Agriculture and Agri-Food
Exporter's Guide to Opportunities
in the Middle East:
**UNITED ARAB
EMIRATES**



OTHER AVAILABLE COUNTRIES IN THE STUDY



Saudi Arabia
Bahrain
Kuwait
Oman
Qatar



Jordan
Lebanon
Syria
Yemen

Canadian Business Development International (CBDI) has been contracted by the Market Industry Services Branch of Agriculture and Agri-Food Canada to provide an overview of the export opportunities and general guidelines for Canadian exporters of agriculture and agri-food products in the following 10 countries in the Middle East:

- | | |
|-----------------|-------------------------|
| 1) Saudi Arabia | 2) United Arab Emirates |
| 3) Bahrain | 4) Kuwait |
| 5) Oman | 6) Qatar |
| 7) Jordan | 8) Lebanon |
| 9) Syria | 10) Yemen |

The studies of the other nine countries are available from Agriculture and Agri-Food Canada. All reports are available in English and French.

The study is a collection of the best available government and private sector information from Canada and abroad. It is designed to provide the reader with a fully compiled and referenced single source for all of this material as well as a detailed analysis of secondary import and export statistics provided by Statistics Canada and the World Trade Database.

The information contained in this document has been reviewed by trade and commodity experts at Agriculture and Agri-Food Canada, Department of Foreign Affairs and International Trade, and Canada's posts in the countries, and has met with their approval.

For a comprehensive list of the sources used by CBDI and a directory of contacts for further information please see the Bibliographical Index and Contact Information sections at the end of the report.

EXECUTIVE SUMMARY

INTRODUCTION:

The Agriculture and Agri-Food Exporter's Guide to Opportunities in the Middle East is designed to provide the reader with a single source reference manual on the key elements and opportunities for exporting to ten countries in the Middle East. It is intended for use by Canadian agri-food exporters. Trade Commissioners and other government officials will also find it a useful source document for information requests.

This study is in a modular format, such that each country profile can act as stand-alone documents, detailing the relevant information for potential Canadian exporters.

The statistical data included in this document has been provided by Statistics Canada (for Canadian exports) and the World Trade Database (for country imports). Due to the time and recording differentials inherent in the two databases, Canadian export statistics are provided in Canadian dollars, up to 1995; whereas country import statistics are only available in US dollars up to 1994. This standard is consistent throughout the document.

POTENTIAL OPPORTUNITIES:

The Middle East is generally an arid region with limited land available for agricultural production. Irrigation methods are used, however, countries (specifically Saudi Arabia) are finding it more difficult to drill for fresh and usable water, resulting in a further reduction of productive capabilities. As such, the region tends to import a large amount of agriculture and agri-food products to support consumption demands. These imports range from US\$140 million (Qatar in 1994) to US\$4.1 billion (Saudi Arabia in 1994). Thus it is clear that the Middle East offers immense potential for Canadian agri-food exporters.

Key opportunities include:

- ◆ **Processed Food and Products: (HIGH)** There are extensive opportunities for value-added products in all ten countries covered by this study, however, the UAE, Saudi Arabia, and Kuwait offer the best potential for growth.
- ◆ **Special Crops: (HIGH)** Canadian exports of special crops to the region have been increasing steadily over the past several years, with new opportunities emerging in chick peas and other pulses. Key markets are: the UAE, Saudi Arabia, Kuwait, and Syria.
- ◆ **Beverages: (HIGH)** Since most countries in the Middle East are predominantly Muslim, there is a high demand for non-alcoholic beverages. Canadian fruit and vegetable juices, carbonated flavoured water, and mineral water have the potential to do very well in the region. Bahrain, and the UAE in particular, offer a great deal of potential for alcoholic beverages as well.
- ◆ **Grains and Oilseeds: (HIGH)** Although Canadian exports of grains and oilseeds have tended to be either erratic or declining, there are significant opportunities for barley, wheat, canola oil and niche products in many countries, most notably Saudi Arabia and the UAE.
- ◆ **Eggs and Poultry: (MEDIUM)** There are promising opportunities for egg-type and broiler-type breeding chicks in Saudi Arabia, the UAE, Bahrain, and Yemen. As well, since pork is not consumed in most of the countries, poultry meat is generally a staple.
- ◆ **Livestock and Other Animal Products: (MEDIUM)** Despite rigorous import regulations, the Middle East is a large import market for live animals and meat products. Strong potential exists in the UAE, Saudi Arabia, Jordan, and Syria.

GENERAL CONSTRAINTS:

Many North American's perceive the Middle East to be too complicated a market to enter, despite the significant opportunities that await determined exporters. Although there are very real constraints to dealing with the Middle East, they are easily overcome with the right approach. Some of the more notable difficulties include:

- ◆ **Transportation Costs:** Due to the long distances, there are considerable costs involved in exporting goods to the Middle East. Furthermore, containerization is often a problem. Since Canada does not import enough products that require refrigerated or ventilated containers, exporters often find it costly to bring these specialized containers up from the US.
 - *Although these are real constraints, Canadian exporters may consider consolidating shipments to the Middle East to reduce costs and avoid partially empty containers from increasing shipping costs.*
- ◆ **Language and Cultural Barriers:** Unlike exporting to the US or Europe, the Middle East is a dramatically different environment in which to operate. There are very specific ways to conduct business which may seem foreign to many Canadian exporters.
 - *These barriers are easily overcome with frequent visits to the region. Also important is the selection of a good agent who can bridge the gap in culture and language for the exporter*
- ◆ **Strict Regulations:** The Middle East has a number of regulations that make exporting to the region complex and cumbersome. Most notably are the strict halal requirements for animal products and bilingual (and other) labelling requirements and production and expiry dates for all goods.
 - *The Canadian embassies in the region can help exporters understand and comply with these regulations, as well as assist in the selection of a good agent who will also help. This document also explains a number of the requirements for exporting to the region.*

It should also be noted that Canadian producers have an inherent advantage in meeting the labelling demands of the region, since they are already accustomed to printing bilingual labels for domestic use.

MARKETING TIPS:

Below are some suggestions for marketing Canadian products to the Middle East:

- ◆ If possible, visit the region. Face-to-face contact can be the difference between marketing success and failure. Bring product samples (where applicable) and be prepared to discuss price.
- ◆ Consider participating in major food shows in the area; for example, the Gulf Food Show in Dubai, UAE is an excellent way to meet potential customers from throughout the region and beyond.
- ◆ Eye-catching designs, logos, and colours that identify the product as Canadian may boost sales.
- ◆ Be ready to assist with shipping. If necessary, be ready to recommend a shipping company or directly arrange shipment and provide shipping costs.
- ◆ Be prepared to discuss marketing and advertising strategies. Gulf importers, in particular, are increasingly looking for advertising advice and assistance, especially with new-to-market products.
- ◆ Be aware that many importers will request exclusive agency agreements with suppliers. In many cases, local laws make it difficult to terminate an agency agreement, even with due cause. Thus selecting a good agent is particularly important.

REGIONAL INFORMATION

MARKETING:

The Middle East is a dynamic and diverse region with differences in the way business is conducted both within and between the various countries. However, there are some general rules for marketing products in the region.

- ◆ Face to face contact can significantly increase the chances of establishing successful business relations.
- ◆ Maintaining that relationship through frequent communications is equally important for success.
- ◆ The countries in the region are mostly cash markets, with substantial revenues from oil resources.
- ◆ Many of the countries have young populations, implying higher disposable income and expected growth in the future.
- ◆ The Gulf countries in particular have highly advanced agriculture and agri-food markets that tend to be very price competitive.
- ◆ The region has a strong knowledge and growing desire for Western products.

Key points to stress when selling products are:

- ◆ competitive price;
- ◆ Canadian origin; and
- ◆ the high-quality of the products.

Considerable emphasis should be placed on the role of these countries as possible markets for re-export of Canadian products. The port of Dubai in the United Arab Emirates (UAE) in particular, is a major re-export market, serving markets in other Gulf countries, Pakistan, Iran, and countries of the former Soviet Union (FSU). The Dubai World Trade Centre reported that Dubai imports approximately 70% of the UAE's consumable items, worth US\$1.9 billion per year. Around 70% of these imports are then re-exported. Approximately 20% of these re-exported goods go to Iran, which is Dubai's largest re-export market. Dubai's re-exports to FSU countries were US\$405 million in 1995, 27% of which was comprised of agricultural and agri-food products (not including equipment and chemical fertilizers). Azerbaijan is the leading market in the FSU for these re-exported goods.

Each country has specific, and often complex marketing regulations, such as labelling requirements and best before dates, that potential Canadian exporters should examine carefully before bringing their products to the region. For example, in Bahrain, baby food has an 18 month expiry period compared with a 12 month period in the UAE or Saudi Arabia. This example serves to highlight the importance of verifying each country's regulations before any sales are made. The Trade Annex that accompanies each country profile provides the details of many of these regulations.

It is strongly recommended by Migra's Canadian Exporters Guide (1995) that the term "**Persian Gulf**" should not be used on goods, documents, or letters for some destinations in this region. Anything so marked might be confiscated and destroyed by the Arab authorities. The term "**Arabian Gulf**" should be used.

PRICING:

Generally, it is recognized that shipping adds considerably to the cost of items manufactured in Canada, which can face stiff competition from Far Eastern and European suppliers. Thus pricing of products, particularly processed or semi-processed foods and beverages is particularly important. Many of the

countries in the region are very price competitive markets, however, high Canadian quality goes a long way. Moreover, exporters should consider the option of consolidating shipments of various products in order to reduce the burden of transportation costs, thereby making products more price competitive when they reach the markets.

Some of the countries in the region have strict policies with respect to pricing, while others have general norms that are followed by most exporters. Pricing policies are listed in the Annexes for each country.

RESTRICTED IMPORTS:

All imported beef and poultry products require a health certificate from the country of origin and a halal slaughter certificate issued by an approved Islamic centre in the country of origin ("halal" slaughter refers to animal slaughter performed according to Islamic law).

TRADE ARRANGEMENTS:

Gulf Cooperation Council (GCC):

The Gulf Cooperation Council (GCC) consists of six member countries (Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Qatar, and Oman). The GCC controls half of the proven oil reserves outside the former Soviet Union, and accounts for about 40% of all the oil moving in international trade. Created in 1981, the GCC tried to maintain the balance of power in the Gulf by strengthening multilateral cooperation in security and economic matters. The presidency of the GCC rotates yearly among the rulers of the member countries. The GCC is headquartered in Riyadh, Saudi Arabia.

As far as trade is concerned, the GCC is a loose confederation which serves only as a policy-coordinating forum for its members. It cannot impose trade policies upon its member states, thus each is free to pass and enforce its own trade laws.

In recent years there has been growing cooperation among GCC members on certain issues, such as:

- ◆ establishing standards;
- ◆ setting tariff ranges; and
- ◆ intellectual property protection.

There is also consideration being given to forming a customs union. Renewed work on a free trade area between the GCC and the EU is also pushing the six member states to closer coordination.

Arab Cooperation Council (ACC):

Jordan, Yemen, Egypt, and Iraq signed an agreement in February 1989, joining the countries in a new Arab economic bloc called the Arab Cooperation Council (ACC). The new community was designed to create a common market and encourage investment in joint projects. The goals of the association are to achieve economic integration in all production centres and coordinate the many areas including the economy, residence, travel, finance, industry, agriculture, transport, and communications.

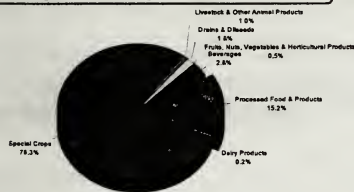
Arab League Boycott of Israel

In 1994, the Arab League boycott of Israel was partially lifted. The original boycott was initiated in 1959 and stated that all products coming directly from Israel, through Israel, or containing inputs from Israel were banned from all Arab League countries. Moreover, trade with countries that also traded with Israel was restricted. The 1994 partial alleviation of the ban left only the primary ban on Israeli products intact.

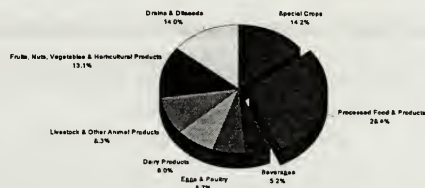
UNITED ARAB EMIRATES

Official Name	United Arab Emirates
Head of State	President Shaikh Zayed bin Sultan al-Nahayan
Minister of Agriculture	H.E. Saeed Mohd Al Ra Qabani
Language	Arabic (official), Persian, English, Hindi and Urdu
Population (1995)	2.9 Million
Currency	UAE Dirham
Real GDP Growth (1995)	.9%
Gross Domestic Product (1995 Per Capita)	\$22,480
Consumer Price Inflation (1995)	5%
External Debt (1995)	\$3.9 billion
Principle Growth Sectors	Manufacturing and Tourism
Total Country Exports (1995)	\$25 Billion
Total Country Imports (1995)	\$20 Billion
Agri-Food Imports from the World (1994)	US\$ 1.757 billion
Agri-Food Imports from Canada (1995)	CDN\$ 24.5 million

Canada's Agricultural Exports to the UAE 1995



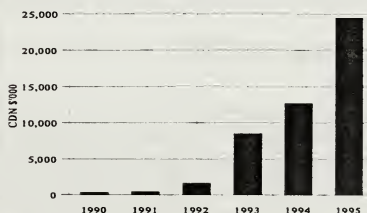
UAE's Agricultural Imports 1994



CANADA'S AGRICULTURAL EXPORTS TO THE UAE

StatsCan : IN CDN \$'000	1991	1992	1993	1994	1995
Grains & Oilseeds	184	683	293	252	472
Livestock & Animal Products	2	4	5	60	238
Special Crops	236	792	6,110	9,445	19,234
Fruits, Nuts, & Vegetables	28	23	4	179	125
Dairy Products	0	0	34	24	58
Eggs & Poultry	0	0	0	0	0
Processed Food and Products	47	259	1,940	2,317	3,721
Beverages	12	8	149	422	704
TOTAL EXPORTS	485	1,660	8,520	12,741	24,513

Canada's Agricultural Exports to the UAE 1990 - 1995

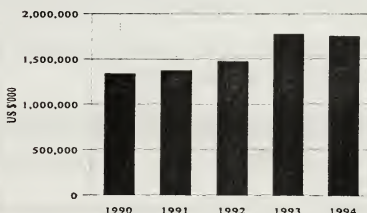


* Import and export totals may not match the sum of the commodities due to grouping and rounding procedures.

UAE'S TOTAL AGRICULTURAL IMPORTS

WTDB : IN US \$'000	1990	1991	1992	1993	1994
Grains & Oilseeds	230,009	156,728	234,332	300,677	246,710
Livestock & Animal Products	115,253	114,044	110,242	152,247	163,771
Special Crops	262,837	239,798	242,999	271,707	248,870
Fruits, Nuts, & Vegetables	150,870	238,802	237,219	227,568	230,987
Dairy Products	107,462	101,562	99,361	114,247	141,177
Eggs & Poultry	79,677	63,191	62,585	105,581	118,068
Processed Food and Products	332,044	391,094	409,320	479,927	516,615
Beverages	61,941	73,762	81,079	98,080	91,278
TOTAL IMPORTS	1,340,093	1,375,981	1,477,137	1,780,034	1,757,476

UAE's Agricultural Imports From the World 1990 - 1995



UNITED ARAB EMIRATES

BACKGROUND INFORMATION

Political Economy:

The United Arab Emirates (UAE) lies along the eastern Arabian peninsula. The UAE is a federation of seven Emirates formed in 1971. Each is governed by a ruling family headed by a sheik. Although there is a federal government, each Emirate retains considerable autonomy over local affairs. Its strategic location along the southern approaches to the straits of Hormuz gives the UAE access to a vital transit point for world crude oil.

Agriculture in the UAE:

Outside of the agri-food area, opportunities exist for Canada in related sectors in the UAE. These include the provision of technical expertise (turn-key operations, ie: flour/feed mills), franchising, peat moss, veterinary supplies/pharmaceuticals, and specialized equipment (poultry, irrigation, and landscaping).

In the past 25 years, the country's population has increased ten-fold and agricultural production has not kept pace with this growth. The country is self-sufficient in salad crops and poultry for much of the year, and even exports crops to markets in Europe. Most of the UAE's agricultural production comes from four areas:

- ◆ from in and around Al Ain;
- ◆ from a narrow, but fertile strip along the east coast;
- ◆ from the oasis of Dhaid, east of Sharjah; and
- ◆ from the gravel plains in Ras al Khaimah.

According to figures from the Ministry of Agriculture and Fisheries, an average crop season yields over 600,000 tonnes of crops such as tomatoes, cucumbers, aubergines, lettuce, cabbage, and animal feed.

Agricultural Trade in the UAE:

According to trade and government contacts, about \$1.4 billion in agricultural products, or approximately 60-70% of total UAE agricultural imports, are re-exported, mainly to neighbouring Gulf countries, Iran, India, Pakistan and, increasingly, several states of the Former Soviet Union (FSU). In fact, while Iran remains the UAE's leading re-export market, countries of the FSU are becoming more important. Countries such as Azerbaijan, Russia, Armenia, and Uzbekistan now account for 8.2% of Dubai's re-exports, or approximately \$405 million in 1995. Some 27% of these re-exports are agri-food products. Unofficially, re-exports to these three destinations are estimated to be 2-3 times greater. Trade contacts report that re-export trade with FSU countries will continue to increase.

UAE imports of agriculture and agri-food products from the world have increased from US\$1.3 billion in 1990 to US\$1.7 billion in 1994.

Canadian exports to the UAE have jumped from \$348,000 in 1990 to over \$12 million in 1994, and again to over \$24 million in 1995. The increase in exports in 1995, was due primarily to large sales of peas and lentils.

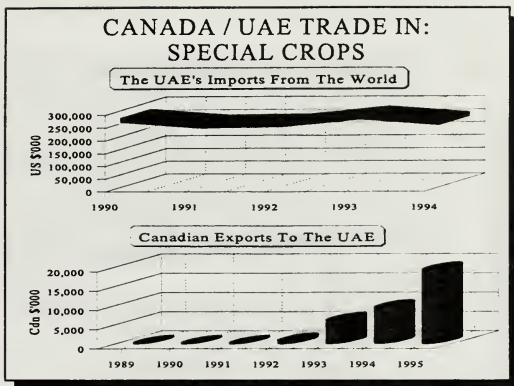
EXISTING OPPORTUNITIES:

SPECIAL CROPS

Market Characteristics:

UAE imports of special crops have fallen slightly from their 1990 levels of US\$262.8 million to US\$248.8 million in 1994. However, in 1993 imports reached as high as US\$271 million.

- ◆ The decline in special crops imports is the result of a decrease in cigarette imports which fell by US\$60 million to US\$202 million in 1994. Notably, the UAE also exported US\$160 million worth of cigarettes to Oman in that year.
- ◆ Other tobacco products have otherwise increased by over US\$8 million to US\$12.7 million in 1994.
- ◆ The largest increase in special crops imports can be found in pulses, which grew from US\$16 million in 1990 to US\$28.5 million in 1994.



Export Opportunities:

Canadian exports of special crops to the United Arab Emirates have increased dramatically, from \$12,000 in 1990 to more than \$18 million in 1995. The growth in exports is due to major increases in both tobacco and pulses.

- ◆ Exports of tobacco and tobacco products have increased from \$0 in 1990 to over \$8 million in 1994 and 1995.
- ◆ Pulses exports increased from \$12,000 in 1990 to almost \$2 million in 1994, then jumped to almost \$11 million in 1995.

The increase in 1995 pulses exports is due primarily to a single shipment of peas and lentils worth approximately \$9 million. Although this shipment was directly related to poor growing conditions in Australia and was mainly destined for the re-export market, it reflects the fact that opportunities do exist for Canadian exporters of pulses to the UAE. Notably, even without that one shipment, there remains an upward trend in Canadian exports of pulses to the UAE.

Utilizing the UAE's distinct position as a re-export market may provide Canadian exporters with a key to getting into the market for the region as a whole. This is evidenced by the fact that the UAE is the principal supplier of special crops (tobacco and pulses) to Oman.

Constraints & Competitors:

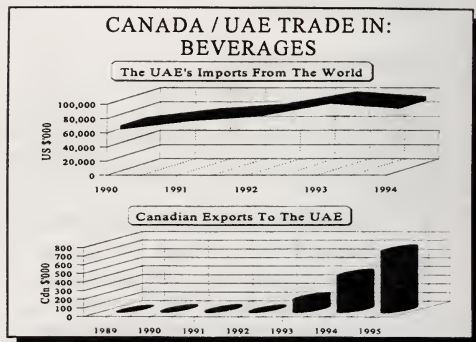
Principal competitors in this market include India, Australia, Turkey, and the US (pulses), and the US, EU, Japan, and India (tobacco and tobacco products).

BEVERAGES

Market Characteristics:

The UAE imported US\$91 million worth of beverages in 1994. This is up from US\$62 million in 1990, but down slightly from US\$98 million in 1993.

- ◆ The largest area of growth was in imports of spirits which grew US\$16 million in five years to hit US\$45 million in 1994.
- ◆ Imports of fruit and vegetable juices have remained relatively constant, around the US\$3 to 4 million mark, while imports of other non-alcoholic beverages increased from US\$6.9 million in 1990 to US\$10.7 million in 1994.
- ◆ Imports of wine doubled over this period, reaching US\$8.3 million in 1994.



Export Opportunities:

Canadian exports of beverages increased significantly from almost \$5,000 in 1990 to a high of \$682,000 in 1995.

- ◆ Fruit and vegetable juices make up the majority of these exports at \$614,000 in 1995, while water and other non-alcoholic beverages comprise the remaining \$68,000.
- ◆ Orange juice was the largest single beverage export in 1995, at \$331,000.

Canadian exporters should consider utilizing Canada's reputation for high quality spirits as a way to penetrate this growing market in the UAE.

Constraints & Competitors:

Principal competitors in this market include the US, Singapore, Japan, and other Middle Eastern countries (juices and non-alcoholic beverages), and the EU (Germany and the Netherlands for beer), US, Australia and India (alcoholic beverages).

PROCESSED FOOD AND PRODUCTS

Market Characteristics:

The UAE imported US\$516 million worth of processed food and products in 1994, which is a substantial increase over the US\$332 million that was imported in 1990. This market has seen steady growth over the five year period, but some sub-sectors have experienced more dramatic increases.

- ◆ Imports of bakery products grew by US\$10 million to US\$26 million in 1994.
- ◆ Prepared fruit products imports doubled to US\$15 million in 1994; and
- ◆ Sugar confectionery imports increased from US\$15 million in 1990 to US\$25 million in 1994.
- ◆ Another notable increase in UAE imports of processed food and products is the baby food sector, which grew steadily from US\$14 million in 1990 to US\$18 million in 1994.

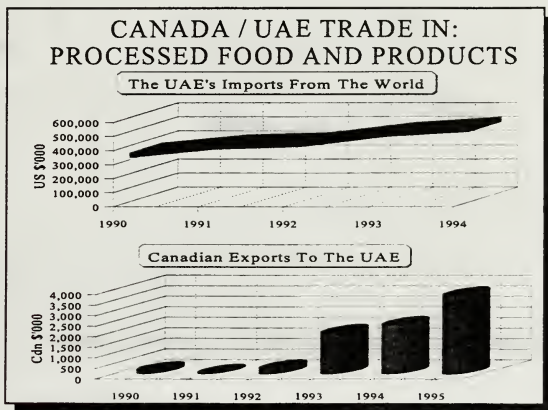
Excellent opportunities exist in the UAE for a wide range of food products, canned goods, cookies, biscuits,

etc. Supermarkets have a very good selection of products and are similar to what one would see in Canada. Importers like to deal directly with suppliers and prefer trading in well known brands with proven promotion strategies and a market support system. New products can get shelf space, and recently more Canadian companies and a variety of Canadian brands have entered the market. Discussions with local companies indicate that private labelling does not hold much potential in the UAE.

Export Opportunities:

Canadian exports of processed food and products reached a high of just over \$3.7 million in 1995, up from around \$160,000 in 1990. The most prominent export products were:

- ♦ *ice cream*: increased from \$0 in 1990 and 1991 to almost \$1.7 million in 1995;
- ♦ *frozen french fries*: exports grew from under \$10,000 in 1990 to over \$1.1 million in 1995;
- ♦ *chocolate confectionery*: first time sale of \$182,000 in 1995.
- ♦ *other prepared vegetables*: reached \$156,000 in 1995, from \$0 in 1990 and 1991; and
- ♦ *biscuits and cookies*: increased from \$29,000 in 1990 to \$137,000 in 1995.



The Canadian Consulate in Dubai is placing considerable priority on value-added products, and is available to assist Canadian exporters interested in the UAE market. The Gulf Food Show (held every two years in Dubai) provides an excellent opportunity to establish a presence in the market.

Constraints & Competitors:

The major competitors in this market include Saudi Arabia, the US, Australia, the EU (UK, Germany, and the Netherlands), and India.

LIVESTOCK & OTHER ANIMAL PRODUCTS

Market Characteristics:

UAE imports of livestock and other animal products increased from US\$115 million in 1990 to US\$164 million in 1994.

- ♦ Imports of sheep and goats increased from US\$37 million in 1990 to US\$41 million in 1994.
- ♦ Horses, asses, mules, and hinnies imports grew from US\$937,000 in 1990 to US\$44 million in 1994.
- ♦ UAE imported US\$36 million in bovine meat, US\$35.8 million in mutton, and almost US\$2 million in pork in 1994.

One of the most promising characteristics of the UAE's market for meat products is the emphasis on re-exports. For example, being a Muslim country, it might be easy to overlook the UAE as a market for pork.

In fact, pork products are brought in for the non-Muslim market. More significantly, pork (and recently, Canadian pork) is shipped to Dubai, specifically for re-export to other countries, such as Azerbaijan.

Export Opportunities:

Canadian exports of livestock and other animal products to the UAE increased from just over \$3,000 in 1990 to almost \$238,000 in 1995, and exports had reached \$210,000 by October, 1996.

- ◆ Meat and meat products exports increased from \$0 in 1990 to account for Canada's total livestock and other animal product exports to the UAE in 1995, at \$237,552.

Constraints & Competitors:

The principal competitors in this market include:

- ◆ Australia is the largest supplier of sheep and goats to the UAE, at US\$35 million in 1994.
- ◆ The UK and US are, by far, the two largest suppliers of horses, asses, mules and hinnies, with exports of US\$31 million and US\$10 million respectively in 1994.
- ◆ India and the EU are the principal competitors for bovine meat; Australia and New Zealand for mutton; and Sweden, the Netherlands, and Australia for pork.

NEW AND EMERGING OPPORTUNITIES:

EGGS & POULTRY

Market Dynamics:

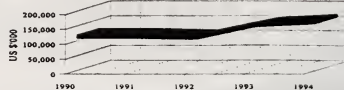
UAE imports of eggs and poultry have increased from US\$79.6 million in 1990 to US\$118 million in 1994.

- ◆ UAE imports of poultry meat increased from US\$68.9 million in 1990 to US\$99.6 million in 1994.
- ◆ Eggs in shell imports doubled over this period to reach US\$16.9 million in 1994.
- ◆ Imports of live poultry into the UAE, on the other hand, decreased from US\$1 million in 1990 to just over US\$700,000 in 1994.

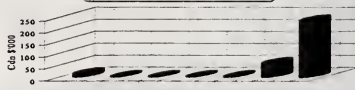
Local egg production remains limited due to harsh environmental conditions and high production costs. However, a reduction in the shelf life of table eggs to three months has caused concern for some exporters to the UAE. In the poultry market most imported whole birds are sold to caterers and other institutional end users while most parts are sold to the retail sector. Local production is marketed as fresh at premium prices and does not compete directly with frozen imports. As with many other countries in the region, two pound trays are the market standard for parts; 900-1,200 grams are the most popular whole bird sizes.

CANADA / UAE TRADE IN: LIVESTOCK & OTHER ANIMAL PRODUCTS

The UAE's Imports From The World



Canadian Exports To The UAE



UAE'S IMPORTS OF: EGGS & POULTRY

The UAE's Imports From The World



Key Competitors In This Market

- ◆ U.S.A.
- ◆ Brazil
- ◆ E.U.
- ◆ Other Middle East Countries

Constraints & Competitors:

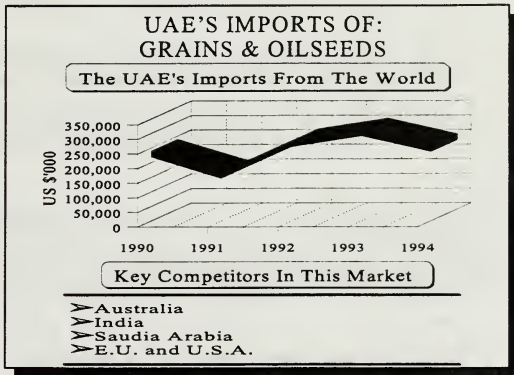
Within the past few years, the United States has become the UAE's leading egg supplier, while Holland and Saudi Arabia are also major competitors. The US, Brazil, Denmark and France are major competitors in poultry meat; while the Netherlands is the largest supplier of live poultry to the UAE.

GRAINS AND OILSEEDS

Market Dynamics:

UAE imports of grains and oilseeds has fluctuated mildly between 1990 (US\$230 million) and 1994 (US\$247 million), with imports as high as US\$300 million in 1993.

- ◆ Rice accounts for more than half of the UAE's grains and oilseeds imports, with 1994 levels of US\$124 million.
- ◆ Imports of non-durum wheat fell dramatically from US\$40 million in 1990 to US\$5.4 million in 1994.
- ◆ Barley imports faced even more drastic declines, falling from US\$13.5 million in 1990 to US\$8,000 in 1994.
- ◆ Increases in imports were seen in the meal and flour market which grew from US\$1.8 million in 1990 to US\$4.4 million in 1994.
- ◆ Soybean oil imports increased from US\$1.3 million in 1990 to almost US\$9.3 million in 1994.
- ◆ UAE imports of fixed vegetable oils also saw a marked increase, from US\$18.4 million in 1990 to over US\$74.5 million in 1994.



Demand for bulk sunflowerseed oil is expected to increase in the United Arab Emirates due to expansion in processing capacity, local success in marketing sunflowerseed oil as a "healthy" oil, and greater local production of speciality fats derived from sunflowerseed oil.

In 1989, Canada exported some \$8 million worth of bulk grains to the UAE, but by 1995 that figure had dropped to \$12,379. The flour milling capacity in the UAE (as elsewhere in the Gulf) is expanding and demand for wheat will continue to grow, particularly since the decline in Saudi Arabia's production.

Canadian canola oil has recently penetrated the market in the UAE.

Constraints & Competitors:

The principal competitors in this market include Thailand, Pakistan, Singapore, Australia, the US, and the EU.

ANNEX A: MARKETING INFORMATION

Background Information:

The UAE remains the most dynamic, and one of the most rapidly expanding economies in the Gulf region, despite continued weakness in world oil prices. The UAE's economic growth is being fuelled by two main factors: First, there is an ongoing construction boom in both, the capital city of Abu-Dhabi and the major port and trading centre of Dubai. Secondly, there has been a rapid expansion of the greater Dubai economic zone (including neighbouring Emirates of Sharjah and Ajman) as a regional business centre.

Over 80% of the population reside mainly in the Emirates of Abu-Dhabi, Dubai, and Sharjah. Hence, the trading and business markets are located mainly in these three Emirates. Within the Emirates, markets are spread across the cities with approximate centres of business, trade, and shopping. The remaining 20% of the population live in the remaining Emirates of Ajman, Fujairah, Ras Al Khaimah, and Umm Al Quwain.

Distribution Structure in the Gulf (Excluding Saudi):

In general, the region's food retail sector is vertically integrated. In addition to their retail operations, the major supermarket chains also are importers, wholesalers and food distributors. Many of the largest companies also have catering, ship chandler and export divisions and are affiliated with local food processing firms. Several retailers are the sole agents for major brand names which they sell in their own stores and, also, distribute to competitor supermarkets. Finally, a few supermarket companies also operate internationally well-known fast food franchises.

Many companies are also consolidating their purchasing and distribution operations in an effort to improve economies of scale and, thereby, reduce costs. As a result, Dubai UAE, the Gulf region's trading hub, has become the food retail industry's key purchasing and distribution centre.

Company Breakdown by Activity								
Company	Imp	Dis	Who	Fra	Cat	Sch	Bak	Man
Al-Maya Lal's Gr.	Yes	Yes	Yes	Yes	Yes	Yes		Yes
Baqer Mohebi	Yes	Yes			Yes			
Emirates Coop. Soc.	Yes		Yes					
Giant Supermarkets	Yes	Yes	Yes					
Lebanese Fruit Co.		Yes						
Modern Bakery & Sup.	Yes	Yes	Yes					
Safestway	Yes		Yes					
T. Choithram & Sons	Yes	Yes	Yes		Yes			
Wafi Supermarket	Yes	Yes	Yes	Yes	Yes			

Key - Imp = Importer; Dis = Distributor; Who = Wholesaler; Fra = Franchisee; Cat = Caterer; Sch = Ship chandler; Bak = Bakery operator; Man = Manufacturer. Source: USDA/FAS: Attache Report "Food Retail Sector in Gulf Region"

Retail Structure in the Gulf (Excluding Saudi):

The region's food retail sector is highly competitive. There are approximately 24 major food retail companies in the region, all of which are expanding their operations. In addition, there are thousands of smaller outlets vying for a part of the Gulf region's relatively small customer base. According to trade contacts, heightened competition has forced profit margins down and many small store owners out of business.

An increasing number of retailers are charging for prime end-aisle space in their supermarkets. The current fee for an endcap is reportedly about \$270/month. Shelf space charges are not yet as prevalent, but many stores require local suppliers to stock and maintain their own shelf space. It is also common practice for retailers to request promotional assistance or price reductions, directly or in the form of free products.

Most of the major supermarket chains in the Gulf region are family owned. The exceptions are the consumer cooperative societies, which are member-owned and may receive substantial government assistance in the form of building and operating subsidies, and three corporately owned companies, Continent, Prisunic and Spinneys. Because the Gulf region has a relatively small population base, local supermarket chains are smaller than European and North American-based chains in terms of number of outlets, sales volume and annual turnover. With two notable exceptions, local companies own 3-4 outlets on average, with the range running from 1-9. The exceptions are two Dubai-based companies which operate 25 and 42 stores, respectively.

Supermarkets:

Until recently, supermarket chains in the Gulf region tended to be single-country operations. Competition and improved transportation and communications facilities, however, have convinced most major players to expand from their traditional base-country into other GCC markets. A few of the more aggressive firms have even expanded beyond the Gulf region, notably into several of the states of the former Soviet Union. For example, two UAE-based retailers have opened supermarkets in Azerbaijan, as well as, in Bahrain, Oman and Qatar.

New supermarket outlets are being located in major shopping malls. A good example of this is Continent, a major French hypermarket chain and new to the GCC region. It is one of three anchor stores for Dubai's City Centre Mall, the largest shopping complex in the GCC. Continent offers a wide array of food and non-food products and has approximately 50 checkout counters, a record for a GCC retail outlet.

Another trend in the region's food retail sector is the development and expansion of new products and services. Nearly all the major supermarkets boast a fresh produce corner, dairy area, modern meat and seafood counters, frozen, health and ethnic food sections and an in-house bakery. Many outlets also offer food courts, fast food takeout and non-food services such as dry cleaning, video rental and flower shops. In sum, a Canadian consumer would feel right at home in any of the major food retail outlets in the Gulf region.

Cooperatives:

Pushed by the private sector, consumer cooperative societies have also begun to upgrade existing outlets and open new, upscale stores rivalling those of their privately-owned competitors. This is particularly true in the UAE, where cooperatives have embarked on an intensive modernization plan and appear to be targeting western expatriates. In the UAE, at least one new cooperative has been established with several modern outlets throughout Dubai. Cooperatives account for 20% of food sales.

The four major cooperative societies in the UAE are located within city limits. There is one cooperative society in Abu Dhabi and three in Dubai. Each society has at least two to three outlets.

Consumer Market in the UAE:

For consumer goods, price is the primary buying factor for the middle and lower classes. These market segments are served through small stores and shops in traditional *souks*, or markets. Retailers in this category operate under razor thin margins, one to two percent is common, and rely on volume. Since the population of the UAE is small, approximately 2.4 million, the volume is supplemented by the over one million business and tourist visitors that come to the UAE each year. Of the 2.4 million residents of the UAE, approximately 20% are nationals, while the remaining 80% are ex-patriots (60% of whom are from the India sub-continent). The UAE's population has considerable purchasing power, and as the following table illustrates, almost 60% of the population are under the age of 30.

35%	under 15 years old
24%	between 15 - 29 years old
39%	between 30 - 59 years old
2%	over 60 years old.

For this younger group price is not a primary buying factor and retail margins are exceptionally high. This segment is serviced through modern grocery stores, similar to those found in Canada. Canadian exporters must be ready to use price aggressively to gain market share in order to gain market acceptance of their products non-price features.

Pricing:

US government sources currently estimate the mark up on most retail food items at between 10-15%. It is lower for most basic food items such as vegetable oils and milk.

ANNEX B: TRADE REGULATIONS

Import Licensing:

There is no regime of import licensing in the UAE.

Imports of a few commodities are prohibited from all sources for health or security reasons. Virtually all other commodities may be freely imported without an individual import permit, but only licensed parties can enter the import trade, and an importer can import only the commodities specified in his license.

Irradiated foods are prohibited and imports of alcohol and pork products are strictly regulated. All products must be halal and free of pork or pork products. However, it is possible, in Dubai at least, to import pork for the local market, but it must be clearly marked as containing pork and sold in “non-Muslim” sections of food stores. As well, pork can be imported into the UAE for re-export.

Credit and Payment Conditions:

- **Usual Terms:** Irrevocable letters of credit are frequently used, although open account terms are acceptable. Guarantees are seldom requested.
- **Transfer Situation:** Payment experiences vary. However, average remittances on open accounts are generally received within one month beyond normal terms. Failure to adhere to the proper procedures may result in delays. Average foreign exchange of two months are currently reported.

Customs Tariff:

The UAE currently levies no (0%) customs duty on all processed food products from non-GCC countries. Bulk agricultural commodities and semi-processed food products are also exempt from duty. However, a customs duty of 25% is levied on alcoholic products, while tobacco products face duties of up to 50%.

Taxes:

The UAE imposes no income, sales, property, or value-added taxes.

Labelling Requirements:

Food labels must contain the following information:

- product and brand names;
- production and expiry dates;
- country of origin;
- name of the manufacturer;
- net weight in metric units; and
- a list of ingredients and additives in descending order of importance.

All fats and oils used as ingredients must be specifically identified on the label. Regulations require that labels be in Arabic or Arabic/English, but English only labels are currently permitted in Dubai, however as of July 1997 the Arabic labelling regulation will be enforced in Dubai.

The production and expiry date (day/month/year - not "best before") must be printed on the label or appear on the product package in some permanent form. Stickers cannot be used for the expiry date but can be used to identify product contents, use, and country of origin. Canadian exporters would be well advised to have any new product tested by the UAE authorities to ensure compliance with local regulations governing additives, artificial colours, etc.

Halal Export Requirements: *(taken directly from Arab World Online)*

Eligible/Ineligible Products:

Eligible Products:

- Fresh/frozen red meat and poultry.
- Red meat and poultry products.

Slaughter Requirements:

Ritual Islamic Halal Slaughter requirements apply.

Labelling Requirements:

All products: Storage temperature must be placed with the refrigeration statement on the boxes to fully clarify the type of product being handled. (Example: "keep frozen store at or below ___ °C; keep chilled (or refrigerate) store between ___ °C and ___ °C.")

Fresh/frozen meat and poultry: In addition to the labelling features mandatory in North America, precut and packaged meat and poultry must bear the following features (in print):

- Production (slaughtering or freezing) and expiration dates.
 - The expiration date must be calculated from the date the product was first frozen.
 - The following statement is not acceptable: "The expiration date is ___ months from the date of production."
 - In the UAE, production and expiry dates are indicated in numbers only. eg. P 24/9/96; E 24/9/97. Calendar strips preprinted on label allowing the designation of calendar dates with literal translation are in frequent use.
 - **Exception:** Dubai permits expiration dates on bagged poultry to be printed on adhesive tape wrapped around metal clip area.
- Statement that product has been slaughtered according to Islamic principles. (**Exception:** Dubai does not require reference to Islamic slaughter on consumer packages, but exporters should be aware that such product would have limited distribution.)
- Shelf life of Product. Shelf life limits have been placed on chilled vacuum packed meat, frozen meat and other meat/poultry products. Fast spoiling foods with a shelf life not exceeding 3 months must have complete date stated on the label. The use of the terminology "Better to use before ..." on label will not be accepted.
- Country of origin.
- Metric net weight. Lettering and numbers for unit metric weight must be in Arabic. At present, there are no restrictions regarding the net weight tolerances.
- Bilingual labels. The Arabic language must be one of the languages used for declaration.

Other materials: Alcoholic materials and species of animal fats, gelatin, food additives and blood must be declared on label when product contains such materials.

The following methods of labelling are alternatives to meeting the requirements for labelling pre-cut and packaged fresh/frozen meat and poultry:

- **Sticker:** Must not interfere with label terminology and be self-destructive on removal. Over labelling may result in refusal of product. Stick-on labels covering existing labelling information are in violation.
- **Inserts:** Must be accompanied by production and expiration dates. Inserts must be made of approved materials.
- **Ink stamp:** Ink must be indelible and legible. (ink stamps are the least acceptable labelling method.)

Canned Goods: Expiration and production dates must be preprinted on the labels.

Handling/Storage Requirements:

Products Requiring Special Handling: The United Arab Emirates requires that instructions for consumers concerning storage, preparation and other special handling requirements accompany all shipments. These instructions should be addressed to the Dubai Municipality.

Poultry Packaging: Poultry must be packaged in clear plastic.

Other Requirements:

Product Arrival: Products must arrive in the UAE at least 3 months before the expiration date.

Expiration Period:

- **Frozen Beef:** The United Arab Emirates has no fixed expiration time period for frozen beef. Twelve months is suggested as a reasonable expiration date.
- **Frozen Poultry:** The United Arab Emirates has no fixed expiration time period for frozen poultry. Nine months is suggested as a reasonable expiration date.
- **Chilled vacuum packed meat/poultry:** has an expiration period of 3 months.
- The shelf life (expiration period) for other meat/poultry products must not exceed 3 months.

ANNEX C: LOGISTICS

Infrastructure in the UAE:

The UAE has a well developed and modern infrastructure. Land transportation is by road. A highway network links all main cities. There is no rail system in the UAE, nor any domestic air transportation network, despite the fact that the country has 6 modern international airports. Most of the Emirates also have modern seaports. The port of Jebel Ali in Dubai is the largest man made port in the world. Goods are imported for the most part by sea and distributed by truck within the UAE and to nearby locations in neighbouring GCC countries.

Given that international shippers operating between Europe and the Far East prefer to make only one stop in the Gulf, Dubai has managed to secure the major share of the business of unloading, breaking down, and reloading cargo for onward shipment. Dubai's physical facilities and sheer expertise in this area make its ports the preferred stops for most shippers on these routes. Dubai is also a major transshipment centre for a variety of food products. It is estimated that about 60 percent of total UAE food imports are re-exported to other destinations, primarily other Gulf countries, Iran, India, and increasingly the countries of the former Soviet Union.

Entry and Warehousing:

Abu Dhabi: All goods imported into Abu Dhabi via the Port of Zayed must be cleared by the importer within a month of landing; otherwise, goods will be moved to an open area at the owner's risk.

When goods are moved to an open area, no short-landed certificates will be issued. If the relative customs duties and other charges are not paid within six months from arrival of the merchandise in Customs, the goods will be subject to public auction.

Dubai: The free storage period is now limited to 10 days. Goods held in storage for more than six months are to be auctioned and no extension of storage period will be granted.

When importing goods through any customs station (whether the goods are dutiable or not), the owner, his agent, or the consignee of the goods must present a declaration to Customs showing the quantity, description, and value of the goods. The value of the goods subject to duty is to be assessed by Customs officials who are not bound to accept the valuation as given on any of the documents presented by the importer. Any person objecting to any assessment may appeal to the Director, whose decision is final.

Key Ports of Entry:

The usual ports of call in the Emirates are Dubai, Sharjah, and Abu Dhabi.

- Dubai has two main ports: *Port Rashid* and *Jebel Ali*.
- Sharjah has two deep water ports: *Port Khalid* on the West Coast of the UAE peninsula and *Port Khor Fakkan*, which is 140 kilometres from the city of Sharjah.
- Abu Dhabi's port is *Port Zayed*.

Ras-al-Khaimah also has two ports: The *Khor Khwair* and *Ras al Khaima*.

Shipping Restrictions:

A 1982 law gives priority to vessels flying the UAE flag, and then other Arab flags.

Free Trade Zones:

In Dubai, the vast Jebel Ali Free trade Zone (JAFTZ) currently houses more than 300 businesses, most of which engage in distribution, or light to medium manufacturing of products for domestic consumption and export.

Most of the other Emirates also offer free zones, or free zone treatment, to attract foreign investment. The principal advantage of free zones in the UAE is 100% foreign ownership, and relatively simple registration procedures.

Importer/Agency Agreements:

UAE law does not distinguish between an agent or distributor, referring to both as commercial agents. All agents must be registered with the Ministry of Economy and Commerce. Agents may not be terminated, except with sufficient cause as determined by a government committee that has usually ruled in favour of the local agent. In most cases, compensation to a terminated agent is required even if the committee rules for the foreign firm. Only UAE nationals or companies wholly owned by UAE nationals can register with the Ministry of Economy and Commerce as local agents.

The terms and conditions of agency contracts vary greatly. Commissions and other forms of compensation typically depend on the amount of work required of the agent, and sales volume. The agent's responsibilities and performance measures should be clearly defined. Agents may be appointed on a project basis, with the relationship restricted to that project and terminated automatically upon reward or completion.

Establishing the geographic territory of an agent is critical. UAE law automatically awards exclusivity to the agent in the geographic area covered by the agreement. An agent must have a presence and be licensed to operate in each Emirate he does business in. There is no blanket license for the whole of the UAE. Consequently, Canadian exporters seeking UAE-wide coverage must appoint a separate agent for each Emirate, or appoint a master agent with offices or sub-agents in each Emirate. Virtually all of the most successful trading houses fall into the latter category. Local agency laws prohibit the importation and sale of brand name food products by other than the principle agent.

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BACKGROUND INFORMATION:

Department of Foreign Affairs & International Trade

- “Doing Business in the Middle East” (September, 1996)

Agriculture and Agri-Food Canada

- “Agri-Food Overview of the Gulf States” (1996)
- Industry Profile Study on Frozen Vegetables, Frozen Desserts and Frozen Pastries and Doughs in the UAE.
- Industry Profile Study on Grains, Pulses and Oilseeds in the UAE.
- Industry Profile Study on Biscuits and Ready Mixes in the UAE.

United States Department of Agriculture - Foreign Agricultural Service (USDA/FAS)

- Attache Reports
- Food Market Report

These information products provide a comprehensive review of the country's agricultural production characteristics, trade policies, and market issues. They are a valuable tool for any exporter in assessing the opportunities for agricultural exports to a given country or region. These reports (and others) can be accessed electronically via the Internet at:

<http://ffas.usda.gov/ffas/markres.html>.

United States National Trade Databank

- International Trade Administration - “Country Commercial Guide”

The “Country Commercial Guides” offer the reader a broad analysis of the political/economic make-up of a country as well as a review of the economic trends and outlook for a number of industrial sectors.

EXPORT OPPORTUNITIES:

United States Department of Agriculture - Foreign Agricultural Service (USDA/FAS):

- Attache Reports

Statistics Canada

- Canadian Export Statistics (1988 - 1995)

World Trade Database

- The UAE's Import Statistics from the World (1990 - 1994)

ANNEXES:

Arab World Online (AWO)

One of the most used sites for this study, Arab World Online is an information source with direct access to virtually every aspect of the Arab world. AWO is a joint-venture between the National U.S.-Arab Chamber of Commerce (NUSACC) and Multitasking Online. This site provides general overviews on all the countries in the Study, as well as detailed marketing, trade, and logistics information. Notably, the **Halal Requirements** section of Annex B is taken directly from this site. It can be accessed via the Internet at: <http://www.awo.net>.

Arab Net

Arab Net is a web site that compiles a great deal of the relevant country and regional information available on the internet into one, easy to use, site. It can be accessed at: <http://www.arab.net>.

Dun & Bradstreet Exporter's Encyclopaedia (1995)

This is the single most often cited information product used in the Annexes. It provides a detailed guide to trade and logistical information for all of the countries in the study, as well as a variety of other useful information for exporters interested in the region.

Migra's Canadian Exporter's Guide.

One of the few private sector Canadian sources available, this guide offers some very detailed documentation requirements for the countries in the region

CONTACT INFORMATION - UAE



Ron P. Guirguis, Vice President - Operations
Canadian Business Development International
7a Beverley Avenue, Ottawa, ON, Canada K1Y 1M7
Tel: (613) 729-3552 Fax: (613) 729-5270
E-Mail: rpg_cbdi@netcom.ca

CANADIAN GOVERNMENT

AGRICULTURE AND AGRI-FOOD CANADA - OTTAWA

<i>General Information</i>		Fax: (613) 759-7506	E-Mail
John Smiley	Senior Int'l Marketing Officer	Tel: (613) 759-7632	smileyj@em.agr.ca
<i>Trade Evaluation</i>		Fax: (613) 759-7505	E-Mail
Dr. Jim deGraaf	Deputy Director (TEAD)	Tel: (613) 759-7644	jdegraaf@em.agr.ca
<i>Grains & Oilseeds</i>		Fax: (613) 759-7499	E-Mail
Gerry Umbach	Commodity Officer	Tel: (613) 759-7700	umbachg@em.agr.ca
<i>Food Bureau</i>			E-Mail
Jane Teeter	Acting Asst. Dep. Director	Tel: (613) 759-7619	teeterj@em.agr.ca
<i>Commodity Specialists</i>		Fax: (613) 957-1527	E-Mail
Gilles Lavoie	Director General (AISD)	Tel: (613) 957-3008	lavoieg@em.agr.ca

DEPARTMENT OF FOREIGN AFFAIRS & INTERNATIONAL TRADE - OTTAWA

<i>UAE</i>		Fax: (613) 944-7431	E-Mail
Richard Clynick	Trade Commissioner	Tel: (613) 944-5984	n/a

CANADIAN EMBASSY - UAE

<i>DUBAI</i>		Fax: (011-971) 451-7722
Maurice Egan	Trade Commissioner (Agri-Food)	Tel: (011-971) 452-1717

UAE GOVERNMENT

Ministry of Information & Tourism

P.O. Box 17,
Abu Dhabi

Ministry of Economy and Commerce

P.O. Box 901,
Abu Dhabi
Tel: (011-971-2) 215-455
Fax: (011-971-2) 215-339

Ministry of Finance & Industry

P.O. Box 901,
Abu Dhabi
Tel: (011-971-2) 726-000
Fax: (011-971-2) 773-301

INDUSTRY ASSOCIATIONS AND CHAMBERS

Canada - Arab Business Council

Suite 1160, 55 Metcalfe Street,
Ottawa, Ontario, Canada
K1P 6N4
Tel: (613) 238-4000
Fax: (613) 238-7643

Federation of Chambers of Commerce and Industry

P.O. Box 3014,
Abu Dhabi
Tel: (011-971-2) 214-144
Fax: (011-971-2) 339-210

CAL/BCA OTTAWA K1A 0C5



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